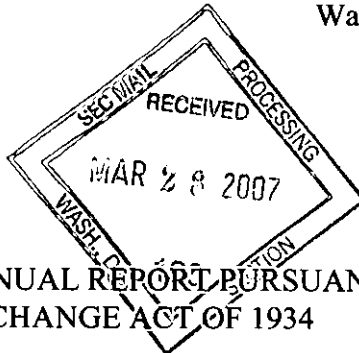


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 11-K



07048990

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED

APR 02 2007

Commission file number 1-9518

THOMSON
FINANCIAL

B

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THE PROGRESSIVE CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

THE PROGRESSIVE CORPORATION
6300 WILSON MILLS ROAD
MAYFIELD VILLAGE, OHIO 44143

Total Number of Pages: 22
Exhibit Index on Page: 20

~~~~~

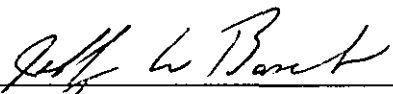
## REQUIRED INFORMATION

See the attached Financial Statements for The Progressive Corporation Executive Deferred Compensation Plan, for the years ended December 31, 2006, 2005 and 2004.

## SIGNATURES

***The Plan.*** Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

The Progressive Corporation

By   
Jeffrey W. Basch  
Vice President

Date: March 23, 2007

THE PROGRESSIVE CORPORATION  
EXECUTIVE DEFERRED COMPENSATION PLAN

FINANCIAL STATEMENTS  
WITH  
REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

For the Years Ended December 31, 2006, 2005 and 2004

## INDEX

|                                                           | <u>Page</u> |
|-----------------------------------------------------------|-------------|
| Report of Independent Registered Public Accounting Firm   |             |
| Financial Statements:                                     |             |
| Statement of Net Assets Available for Benefits            | 2           |
| Statement of Changes in Net Assets Available for Benefits | 3           |
| Notes to Financial Statements                             | 4 - 15      |

# Meaden & Moore

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
The Progressive Corporation

We have audited the accompanying statement of net assets available for benefits of The Progressive Corporation Executive Deferred Compensation Plan (the Plan), as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the three years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Meaden & Moore, Ltd.*  
MEADEN & MOORE, LTD.

March 8, 2007  
Cleveland, Ohio



**Meaden & Moore, Ltd.**

*(A Meaden & Moore Company)*

1100 Superior Avenue Suite 1100 Cleveland, Ohio 44114-2523 216-241-3272 FAX 216-771-4511  
Akron Atlanta Charlotte Chicago Cleveland Columbus Naperville New York Orlando Phoenix Pittsburgh Wooster

# STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

## The Progressive Corporation Executive Deferred Compensation Plan

|                                                                                     | December 31          |                      |
|-------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                     | <u>2006</u>          | <u>2005</u>          |
| <b>ASSETS</b>                                                                       |                      |                      |
| Receivables:                                                                        |                      |                      |
| Employer                                                                            | \$ 3,204,482         | \$ 4,062,828         |
| Investments, at Fair Value:                                                         |                      |                      |
| Common Shares of The Progressive Corporation<br>(cost: \$9,708,854 and \$9,070,623) | 13,119,150           | 17,237,139           |
| Other investments (cost: \$62,193,657 and \$51,360,782)                             | <u>72,734,457</u>    | <u>58,203,804</u>    |
| Total Investments                                                                   | <u>85,853,607</u>    | <u>75,440,943</u>    |
| Total Assets                                                                        | 89,058,089           | 79,503,771           |
| <b>LIABILITIES</b>                                                                  | <u>-</u>             | <u>-</u>             |
| Net Assets Available for Benefits                                                   | <u>\$ 89,058,089</u> | <u>\$ 79,503,771</u> |

See accompanying notes.

# STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

## The Progressive Corporation Executive Deferred Compensation Plan

|                                                         | Year Ended December 31 |               |               |
|---------------------------------------------------------|------------------------|---------------|---------------|
|                                                         | 2006                   | 2005          | 2004          |
| Additions to Net Assets Attributed to:                  |                        |               |               |
| Contributions:                                          |                        |               |               |
| Employer                                                | \$ 9,197,041           | \$ 7,160,780  | \$ 16,119,093 |
| Net appreciation (depreciation) in the fair value of    |                        |               |               |
| Common Shares of The Progressive Corporation            | (4,756,220)            | 4,249,183     | (251,575)     |
| Net appreciation in the fair value of other investments | 3,765,302              | 456,739       | 1,807,696     |
| Net realized gains (losses)                             | 2,487,985              | 1,415,947     | 1,041,857     |
| Dividends                                               | 3,606,269              | 2,117,427     | 1,299,972     |
| Interest                                                | 142                    | -             | -             |
| Total Additions                                         | 14,300,519             | 15,400,076    | 20,017,043    |
| Deductions from Net Assets Attributed to:               |                        |               |               |
| Benefits paid to participants                           | 4,746,115              | 1,618,465     | 2,332,978     |
| Short-term trading fees                                 | 86                     | -             | 2             |
|                                                         | 4,746,201              | 1,618,465     | 2,332,980     |
| Net Increase                                            | 9,554,318              | 13,781,611    | 17,684,063    |
| Net Assets Available for Benefits:                      |                        |               |               |
| Beginning of Year                                       | 79,503,771             | 65,722,160    | 48,038,097    |
| End of Year                                             | \$ 89,058,089          | \$ 79,503,771 | \$ 65,722,160 |

See accompanying notes.

## NOTES TO FINANCIAL STATEMENTS

### The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

#### **1 Description of the Plan**

The Progressive Corporation Executive Deferred Compensation Plan (the "Plan") became effective January 1, 1995, and is currently maintained pursuant to a 2003 Amendment and Restatement and four amendments thereto. The Plan permits eligible executives of The Progressive Corporation (the "Company") and its subsidiaries to defer all, or a portion, of their bonuses, restricted stock awards and incentive awards payable under certain bonus and incentive plans of the Company. Eligible executives include those with bonus targets of at least 35% and other employees designated by the Compensation Committee of the Company's Board of Directors. Plan participation is voluntary.

Eligible executives who wish to participate in the Plan must sign an irrevocable deferral agreement specifying the portion of the bonus to be deferred. Participants must sign a different deferral agreement for each bonus or other incentive award prior to the year in which the bonus or incentive award relates. Deferral agreements relating to Restricted Stock Awards must be signed before the grant date of the award. Participants may transfer their fund balances on a daily basis, limited to two transfers per quarter.

The Plan is intended to be an unfunded Plan providing benefits for a select group of management and highly compensated employees for the purposes of the Employee Retirement Income Security Act of 1974 ("ERISA") and is, therefore, exempt from certain ERISA requirements.

A deferral account is established for all deferrals that relate to the same payout date. The account is credited with an amount equal to the initial amounts deferred as of the date such amounts otherwise would have been paid to the participant in cash. All amounts initially credited to each account will be deemed to be invested in the investment fund selected by the participant. However, deferrals of Restricted Stock Awards shall be deemed to be invested in Common Shares of the Company for six months and one day, following vesting of such awards. Effective March 17, 2005, the Plan was amended so that any Deferral of a Restricted Stock Award granted on or after March 17, 2005, shall be deemed to be invested in the Company Stock Fund until the Deferral Account has been distributed or withdrawn. The gains or losses of each investment fund are allocated among the appropriate accounts based on the proportion each participant's account balance bears to the total account balances for all participants. Each participant's benefit at any date is equal to the value of his/her account as of that date.

All deferrals credited to a deferral account, will be deemed to be invested in one or more of the investment funds available under the Plan, based on the participant's investment election. Investment funds include Common Shares of the Company, a money market fund, and several stock and bond mutual funds. Income from each fund is deemed to be reinvested in the fund that produced the income.



## NOTES TO FINANCIAL STATEMENTS

### The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

#### **1 Description of the Plan, Continued**

The investment funds available under the Plan are merely devices used to calculate gains and losses on the amounts deferred by Plan participants. No participant has any rights or interests in any particular funds, securities or property of the Company or the Trust described in Note 6, or in any investment vehicle in which deferrals are deemed to be invested, by virtue of any investment election. Each deferral account, however, shall be credited or charged in accordance with the Plan with gains and losses as if the participant in fact had made a corresponding actual investment.

The balance of each deferral account will be distributed to the participant upon the earlier of death, termination of employment, change in control of the Company or the date on which any fixed deferral period elected by the participant expires. Distribution may also be made with the consent of the Plan committee, if the participant becomes disabled. Participants desiring to elect a fixed deferral period must do so irrevocably at the time the deferral agreement is signed. Distributions made on account of the participant's death, termination of the Plan or change in control of the Company will be paid in a lump sum.

Distributions made on account of the participant's termination of employment or expiration of a fixed deferral period will be paid in either a lump sum, in three, five or ten annual installments, as elected by the participant. Distributions made on account of disability will be paid in either a lump sum or installments as determined by the Plan Committee. Distributions of deferred Restricted Stock Awards granted in 2005 and later years will be made in Common Shares; all other Plan distributions will be made in cash.

The above description is provided for informational purposes. Participants should refer to the Plan documents for a more complete description of the Plan's provisions.

#### **2 Summary of Significant Accounting Policies**

##### ***General:***

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

#### 2 Summary of Significant Accounting Policies, Continued

##### *Investment Valuation:*

The Board of Directors of Progressive Insurance announced a 4 for 1 stock split effective May 8, 2006 with a payable date of May 18, 2006. Progressive stock is reflected post split for the 2006 plan year.

The investment in Common Shares of the Company is valued at the last reported trade price on the New York Stock Exchange on the last business day of the year. Investments in the stock, bond and money market funds are valued at market. Market values for these mutual funds were determined by quoted prices, which represent the net asset value of shares held by the Plan at year-end.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect Plan investments.

##### *Other:*

Investment transactions are recorded on a trade date basis.

Realized gains and losses on the sale or distribution of securities are determined based on the average cost of the securities sold.

Dividend income is recorded on the ex-dividend date. Interest and other investment income are recorded as earned on the accrual basis.

Short-term trading fees are imposed by some funds in the Plan if any shares are sold, either withdrawn or transferred out, after holding them for less than a specified period of time.

Administrative expenses of the Plan, including trust management, legal and other fees, are paid by the Company and are not expenses of the Plan.

# NOTES TO FINANCIAL STATEMENTS

## The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

### 3 Participant Accounts

Participant balances for all funds are maintained in shares. Share values are determined on a periodic basis. Shares as of December 31, 2005 for the Progressive Stock Fund have been retroactively adjusted for the stock split. The total number of shares and share values as of December 31, 2006 and 2005, by fund, were as follows:

| <u>Investment Options</u>                | <u>Total Number<br/>of Shares</u> | <u>Net Asset<br/>Share Value</u> |
|------------------------------------------|-----------------------------------|----------------------------------|
| <b><u>2006</u></b>                       |                                   |                                  |
| The Progressive Stock Fund               | 541,665.98                        | 24.22                            |
| Templeton World Fund-Class A             | 99,679.49                         | 19.42                            |
| Fidelity Diversified International Fund  | 268,718.71                        | 36.95                            |
| Wasatch Small Cap Growth Fund            | 51,669.41                         | 36.88                            |
| FMA Small Company Portfolio              | 122,588.77                        | 21.10                            |
| American Advantage Small Cap Value Fund  | 124,521.28                        | 21.20                            |
| Fidelity Mid-Cap Stock Fund              | 125,289.47                        | 29.14                            |
| Vanguard Institutional Index Fund        | 96,828.38                         | 129.59                           |
| Fidelity Dividend Growth Fund            | 225,417.30                        | 31.68                            |
| Washington Mutual Investors Fund-Class A | 181,915.21                        | 34.86                            |
| Oakmark Equity and Income Fund           | 353,128.80                        | 25.88                            |
| PIMCO Total Return Fund (Admin)          | 930,453.90                        | 10.38                            |
| Fidelity Retirement Money Market Fund    | 5,258,689.39                      | 1.00                             |

| <u>Investment Options</u>                | <u>Total Number<br/>of Shares</u> | <u>Net Asset<br/>Share Value</u> |
|------------------------------------------|-----------------------------------|----------------------------------|
| <b><u>2005</u></b>                       |                                   |                                  |
| The Progressive Stock Fund               | 590,414.00                        | 29.10                            |
| Templeton World Fund-Class A             | 78,055.20                         | 17.74                            |
| Fidelity Diversified International Fund  | 233,748.64                        | 32.54                            |
| Wasatch Small Cap Growth Fund            | 52,619.08                         | 36.70                            |
| FMA Small Company Portfolio              | 119,897.44                        | 19.54                            |
| American Advantage Small Cap Value Fund  | 94,119.56                         | 20.03                            |
| Fidelity Mid-Cap Stock Fund              | 126,738.12                        | 26.57                            |
| Vanguard Institutional Index Fund        | 94,526.36                         | 114.01                           |
| Fidelity Dividend Growth Fund            | 159,623.39                        | 28.79                            |
| Washington Mutual Investors Fund-Class A | 175,370.28                        | 30.84                            |
| Oakmark Equity and Income Fund           | 296,835.78                        | 24.98                            |
| PIMCO Total Return Fund (Admin)          | 849,489.82                        | 10.50                            |
| Fidelity Retirement Money Market Fund    | 2,570,832.74                      | 1.00                             |

## NOTES TO FINANCIAL STATEMENTS

### The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

#### 4 Investment Programs

At December 31, 2006 and 2005, there were 93 and 90 (respectively) Plan participants with contributions in one or more of the following funds:

| <u>Investment Options</u>                | <u>Number of<br/>Participants</u> |
|------------------------------------------|-----------------------------------|
| <u>2006</u>                              |                                   |
| The Progressive Stock Fund               | 47                                |
| Templeton World Fund-Class A             | 26                                |
| Fidelity Diversified International Fund  | 59                                |
| Wasatch Small Cap Growth Fund            | 30                                |
| FMA Small Company Portfolio              | 32                                |
| American Advantage Small Cap Value Fund  | 19                                |
| Fidelity Mid-Cap Stock Fund              | 38                                |
| Vanguard Institutional Index Fund        | 56                                |
| Fidelity Dividend Growth Fund            | 39                                |
| Washington Mutual Investors Fund-Class A | 34                                |
| Oakmark Equity and Income Fund           | 51                                |
| PIMCO Total Return Fund (Admin)          | 39                                |
| Fidelity Retirement Money Market Fund    | 34                                |

# NOTES TO FINANCIAL STATEMENTS

## The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

### 4 Investment Programs, Continued

| <u>Investment Options</u>                | <u>Number of<br/>Participants</u> |
|------------------------------------------|-----------------------------------|
| <u>2005</u>                              |                                   |
| The Progressive Stock Fund               | 37                                |
| Templeton World Fund-Class A             | 28                                |
| Fidelity Diversified International Fund  | 56                                |
| Wasatch Small Cap Growth Fund            | 32                                |
| FMA Small Company Portfolio              | 33                                |
| American Advantage Small Cap Value Fund  | 13                                |
| Fidelity Mid-Cap Stock Fund              | 40                                |
| Vanguard Institutional Index Fund        | 58                                |
| Fidelity Dividend Growth Fund            | 43                                |
| Washington Mutual Investors Fund-Class A | 36                                |
| Oakmark Equity and Income Fund           | 49                                |
| PIMCO Total Return Fund (Admin)          | 41                                |
| Fidelity Retirement Money Market Fund    | 33                                |

The total number of participants in the Plan is less than the sum of the number of participants shown above because many were participating in more than one fund.

# NOTES TO FINANCIAL STATEMENTS

## The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

### 5 Investments

The Plan's investments and unrealized appreciation (depreciation) at December 31, 2006 and 2005, were as follows:

| <u>2006</u>                                 | Number of<br>Shares | Cost                 | Fair Value           | Unrealized<br>Appreciation<br>(Depreciation) |
|---------------------------------------------|---------------------|----------------------|----------------------|----------------------------------------------|
| <u>Common Shares</u>                        |                     |                      |                      |                                              |
| The Progressive Corporation                 | 541,665.98          | \$ 9,708,854         | \$ 13,119,150        | \$ 3,410,296                                 |
| <u>Other Investments</u>                    |                     |                      |                      |                                              |
| Templeton World Fund-Class A                | 99,679.49           | 1,770,330            | 1,935,776            | 165,446                                      |
| Fidelity Diversified International<br>Fund  | 268,718.71          | 7,072,537            | 9,929,157            | 2,856,620                                    |
| Wasatch Small Cap Growth<br>Fund            | 51,669.41           | 1,907,990            | 1,905,568            | (2,422)                                      |
| FMA Small Company Portfolio                 | 122,588.77          | 2,300,384            | 2,586,623            | 286,239                                      |
| American Advantage Small<br>Cap Value       | 124,521.28          | 2,434,767            | 2,639,851            | 205,084                                      |
| Fidelity Mid-Cap Stock Fund                 | 125,289.47          | 2,811,183            | 3,650,935            | 839,752                                      |
| Vanguard Institutional Index<br>Fund        | 96,828.38           | 9,347,564            | 12,547,990           | 3,200,426                                    |
| Fidelity Dividend Growth Fund               | 225,417.30          | 6,135,394            | 7,141,220            | 1,005,826                                    |
| Washington Mutual Investors<br>Fund-Class A | 181,915.21          | 5,270,095            | 6,341,564            | 1,071,469                                    |
| Oakmark Equity and Income<br>Fund           | 353,128.80          | 8,028,439            | 9,138,973            | 1,110,534                                    |
| PIMCO Total Return Fund<br>(Admin)          | 930,453.90          | 9,856,285            | 9,658,111            | (198,174)                                    |
| Fidelity Retirement Money<br>Market         | 5,258,689.39        | 5,258,689            | 5,258,689            | -                                            |
|                                             |                     | 62,193,657           | 72,734,457           | 10,540,800                                   |
| Total Assets Held for Investment            |                     | <u>\$ 71,902,511</u> | <u>\$ 85,853,607</u> | <u>\$ 13,951,096</u>                         |

# NOTES TO FINANCIAL STATEMENTS

## The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

### 5 Investments, Continued

|                                             | Number of<br>Shares | Cost          | Fair Value    | Unrealized<br>Appreciation<br>(Depreciation) |
|---------------------------------------------|---------------------|---------------|---------------|----------------------------------------------|
| <u>2005</u>                                 |                     |               |               |                                              |
| <u>Common Shares</u>                        |                     |               |               |                                              |
| The Progressive Corporation                 | 590,414.00          | \$ 9,070,623  | \$ 17,237,139 | \$ 8,166,516                                 |
| <u>Other Investments</u>                    |                     |               |               |                                              |
| Templeton World Fund-Class A                | 78,055.20           | 1,349,607     | 1,384,699     | 35,092                                       |
| Fidelity Diversified International<br>Fund  | 233,748.64          | 5,522,053     | 7,606,181     | 2,084,128                                    |
| Wasatch Small Cap Growth<br>Fund            | 52,619.08           | 1,917,803     | 1,931,120     | 13,317                                       |
| FMA Small Company Portfolio                 | 119,897.44          | 2,205,563     | 2,342,796     | 137,233                                      |
| American Advantage Small<br>Cap Value       | 94,119.56           | 1,788,684     | 1,885,215     | 96,531                                       |
| Fidelity Mid-Cap Stock Fund                 | 126,738.12          | 2,703,989     | 3,367,432     | 663,443                                      |
| Vanguard Institutional Index<br>Fund        | 94,526.36           | 8,679,828     | 10,776,951    | 2,097,123                                    |
| Fidelity Dividend Growth Fund               | 159,623.39          | 4,086,285     | 4,595,557     | 509,272                                      |
| Washington Mutual Investors<br>Fund-Class A | 175,370.28          | 4,999,483     | 5,408,419     | 408,936                                      |
| Oakmark Equity and Income<br>Fund           | 296,835.78          | 6,512,806     | 7,414,958     | 902,152                                      |
| PIMCO Total Return Fund<br>(Admin)          | 849,489.82          | 9,023,848     | 8,919,643     | (104,205)                                    |
| Fidelity Retirement Money<br>Market         | 2,570,832.74        | 2,570,833     | 2,570,833     | -                                            |
|                                             |                     | 51,360,782    | 58,203,804    | 6,843,022                                    |
| Total Assets Held for Investment            |                     | \$ 60,431,405 | \$ 75,440,943 | \$ 15,009,538                                |

# NOTES TO FINANCIAL STATEMENTS

## The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

### 5 Investments, Continued

The Plan's net realized gains and losses were as follows:

|                                          | Aggregate<br>Proceeds | Cost                 | Net<br>Realized<br>Gains (Losses) |
|------------------------------------------|-----------------------|----------------------|-----------------------------------|
| <b>2006</b>                              |                       |                      |                                   |
| The Progressive Stock Fund               | \$ 4,516,678          | \$ 3,008,882         | \$ 1,507,796                      |
| Templeton World Fund-Class A             | 142,936               | 134,165              | 8,771                             |
| Fidelity Diversified International Fund  | 793,432               | 481,877              | 311,555                           |
| Wasatch Small Cap Growth Fund            | 586,353               | 575,518              | 10,835                            |
| FMA Small Company Portfolio              | 354,183               | 320,061              | 34,122                            |
| American Advantage Small Cap Value Fund  | 110,683               | 105,304              | 5,379                             |
| Fidelity Mid-Cap Stock Fund              | 620,767               | 471,098              | 149,669                           |
| Vanguard Institutional Index Fund        | 1,331,039             | 997,697              | 333,342                           |
| Fidelity Dividend Growth Fund            | 381,417               | 335,717              | 45,700                            |
| Washington Mutual Investors Fund-Class A | 306,495               | 275,232              | 31,263                            |
| Oakmark Equity and Income Fund           | 325,776               | 267,855              | 57,921                            |
| PIMCO Total Return Fund (Admin)          | 905,854               | 914,222              | (8,368)                           |
| Fidelity Retirement Money Market Fund    | 1,138,289             | 1,138,289            | -                                 |
| Total Net Realized Gains (Losses)        | <u>\$ 11,513,902</u>  | <u>\$ 9,025,917</u>  | <u>\$ 2,487,985</u>               |
| <b>2005</b>                              |                       |                      |                                   |
| The Progressive Stock Fund               | \$ 947,555            | \$ 448,529           | \$ 499,026                        |
| Templeton World Fund-Class A             | 162,626               | 157,481              | 5,145                             |
| Janus Worldwide Fund                     | 300,611               | 251,381              | 49,230                            |
| Fidelity Diversified International Fund  | 174,445               | 152,764              | 21,681                            |
| Wasatch Small Cap Growth Fund            | 131,516               | 111,601              | 19,915                            |
| FMA Small Company Portfolio              | 11,060                | 9,872                | 1,188                             |
| Fidelity Mid-Cap Stock Fund              | 197,580               | 164,495              | 33,085                            |
| Vanguard Institutional Index Fund        | 621,316               | 520,460              | 100,856                           |
| Fidelity Dividend Growth Fund            | 7,274,636             | 6,750,705            | 523,931                           |
| Washington Mutual Investors Fund-Class A | 206,122               | 164,631              | 41,491                            |
| Oakmark Equity and Income Fund           | 659,389               | 546,495              | 112,894                           |
| PIMCO Total Return Fund (Admin)          | 610,642               | 603,137              | 7,505                             |
| Fidelity Retirement Money Market Fund    | 971,822               | 971,822              | -                                 |
| Total Net Realized Gains (Losses)        | <u>\$ 12,269,320</u>  | <u>\$ 10,853,373</u> | <u>\$ 1,415,947</u>               |



# NOTES TO FINANCIAL STATEMENTS

## The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

### 5 Investments, Continued

|                                          | Aggregate<br>Proceeds | Cost                | Net<br>Realized<br>Gains (Losses) |
|------------------------------------------|-----------------------|---------------------|-----------------------------------|
| <u>2004</u>                              |                       |                     |                                   |
| The Progressive Stock Fund               | \$ 1,044,855          | \$ 429,932          | \$ 614,923                        |
| Templeton World Fund-Class A             | 44,756                | 45,991              | (1,235)                           |
| Janus Worldwide Fund                     | 831,144               | 881,840             | (50,696)                          |
| Fidelity Diversified International Fund  | 145,877               | 103,652             | 42,225                            |
| Wasatch Small Cap Growth Fund            | 27,526                | 25,380              | 2,146                             |
| FMA Small Company Portfolio              | 452,875               | 320,398             | 132,477                           |
| Fidelity Mid-Cap Stock Fund              | 69,803                | 57,561              | 12,242                            |
| Vanguard Institutional Index Fund        | 1,193,841             | 975,941             | 217,900                           |
| Fidelity Dividend Growth Fund            | 341,724               | 319,863             | 21,861                            |
| Washington Mutual Investors Fund-Class A | 116,760               | 107,377             | 9,383                             |
| Oakmark Equity and Income Fund           | 186,389               | 155,956             | 30,433                            |
| PIMCO Total Return Fund (Admin)          | 345,505               | 335,307             | 10,198                            |
| Fidelity Retirement Money Market Fund    | 1,071,865             | 1,071,865           | -                                 |
| Total Net Realized Gains (Losses)        | <u>\$ 5,872,920</u>   | <u>\$ 4,831,063</u> | <u>\$ 1,041,857</u>               |

### 6 Trust

The Company maintains a Trust to provide a source of funds to assist the Company in meeting its obligations under the Plan. The Trust is irrevocable. The Company is required to make annual deposits to the Trust to the extent necessary to insure that the value of all Trust assets is sufficient to pay all Plan obligations as of the close of each Plan year. The Trustee is required to hold all Trust assets exclusively for the benefit of the Plan's participants and beneficiaries and general creditors of the Company and its participating subsidiaries.

The rights of participants and their beneficiaries under the Plan are merely unsecured contractual rights against the Company and its participating subsidiaries. Participants and beneficiaries have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. All assets of the Trust are subject to the claims of the general creditors of the Company and its participating subsidiaries under federal and state law, should the Company and its participating subsidiaries become unable to pay their debts as they become due or become subject to Federal bankruptcy proceedings.

## NOTES TO FINANCIAL STATEMENTS

### The Progressive Corporation Executive Deferred Compensation Plan

December 31, 2006

#### **7 Related Party**

Certain Plan investment choices are Fidelity mutual funds managed by Fidelity Management & Research Company (FMR Co.). Fidelity Management Trust Company (FMTTC) is the current trustee and along with FMR Co. is a subsidiary of FMR Corp. These transactions, therefore, qualify as related party transactions. The Plan paid no fees in 2006, 2005 or 2004 for investment management or Trust services.

#### **8 Administration of the Plan**

The Plan is administered by a Committee consisting of not less than three members of the Company's Board of Directors, all of whom serve on the Committee at the pleasure of the Board. The Committee has full power to administer the Plan, including, but not limited to, the authority to make and enforce rules and regulations, to interpret the Plan's provisions, to compute amounts payable under the Plan and to authorize disbursements from the Plan and the Trust.

Certain administrative functions are performed by employees of the Company, or its subsidiaries. No such employees receive compensation from the Plan.

#### **9 Tax Status**

The Plan is not, and is not intended to be, qualified under Section 401 of the Internal Revenue Code. Consequently, an application for a favorable determination has not been filed with the Internal Revenue Service.

Deferred amounts are subject to FICA and Medicare taxes and most local income taxes at the time of the deferral. Deferred amounts (and the earnings thereon) are not subject to Federal and most state income taxes until distributed from the Plan. Such distributions and the related taxes are the responsibility of the participants.

#### **10 Right to Terminate**

The Company may terminate the Plan at any time and for any reason. Following termination of the Plan, no additional deferrals may be made, but all existing participant accounts will continue to be administered in accordance with the Plan, unless the Company elects to accelerate distribution of all Plan accounts.

NOTES TO FINANCIAL STATEMENTS

The Progressive Corporation  
Executive Deferred Compensation Plan

December 31, 2006

**11 Subsequent Event**

The Plan has not yet been amended to comply with Internal Revenue Code Section 409A, enacted in late 2004. However, the Plan is operated in good faith compliance with Section 409A to the extent deemed desirable by the Plan Committee.

**THE PROGRESSIVE CORPORATION  
EXECUTIVE DEFERRED COMPENSATION PLAN**

**EXHIBIT INDEX**

| <b><u>EXHIBIT NO.<br/>UNDER REG.<br/>S-K ITEM 601</u></b> | <b><u>FORM 11-K<br/>EXHIBIT<br/>NO.</u></b> | <b><u>DESCRIPTION OF EXHIBIT</u></b>                                                                                                              | <b><u>PAGE<br/>NO.*</u></b> |
|-----------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 23                                                        | 23                                          | Consent of Meaden & Moore<br>Independent Accountants, dated<br>March 20, 2007, to incorporate by<br>reference their report dated<br>March 8, 2007 | 21                          |

\* Page references appear only in the sequentially paginated Annual Report on Form 11-K as filed in accordance with SEC Rules O-3 (b) and (c) (Reg. §240.0-3 (b) & (c)). Other copies of this Annual Report on Form 11-K are not similarly paginated.

**EXHIBIT NO. 23**

Consent of Meaden & Moore, Independent  
Accountants, dated March 20, 2007, to incorporate  
by reference their report dated March 8, 2007

# Meaden & Moore

## Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement of The Progressive Corporation on Form S-8 (File No. 33-57121) filed on December 29, 1994, of our report dated March 8, 2007, on our audits of the financial statements of The Progressive Corporation Executive Deferred Compensation Plan as of December 31, 2006 and 2005 and for the three years ending December 31, 2006, which report is incorporated by reference in this Annual Report on Form 11-K.

*Meaden & Moore, Ltd.*

Meaden & Moore, Ltd.

Cleveland, Ohio

March 20, 2007

*END*



**Meaden & Moore, Ltd.**

*(A Meaden & Moore Company)*

1100 Superior Avenue Suite 1100 Cleveland, Ohio 44114-2523 216-241-3272 FAX 216-771-4511  
Akron Atlanta Charlotte Chicago Cleveland Columbus Naperville New York Orlando Phoenix Pittsburgh Wooster